

Message Text

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14

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SUBJECT: TAX REFORM

REF: CAIRO 2146

1. QUESTION OF ADOPTION OF TAX REFORM REACHING FINAL STAGES ACCORDING TO SPATE OF RECENT PRESS REPORTS. TAX REFORM LAW, APPARENTLY APPROVED BY HIGHER PLANNING COMMITTEE AT MEETING APRIL 20 AND WILL BE SUBMITTED TO CABINET FOR FURTHER DISCUSSION AT NEXT MEETING. MEETING ORIGINALLY SCHEDULED FOR APRIL 28 NOW RESCHEDULED FOR APRIL 29. FURTHER DETAILS SLOWLY ARE BECOMING AVAILABLE. HOWEVER, WHEN WE CONTACTED TAX AUTHORITIES FOR CLARIFICATIONS THEY SAID PRESS REPORTS WERE NOT COMPLETELY CORRECT, BUT REFUSED TO ELABORATE.

2. AS REPORTED REF, TAX WILL BE COLLECTED ON INDIVIDUAL INCOMES OVER LE 1200 FOR THOSE PERMANENTLY EMPLOYED. THIS IS INCREASE FROM CURRENT RATE OF LE 1000. DAILY WAGE EARNERS, WHO PREVIOUSLY WERE SUBJECT TO TAX IF WAGE EXCEEDED 75 PIASTERS PER DAY, WILL PAY TAXES ONLY IF WAGES EXCEED 150 PIASTERS PER DAY. WAGE EARNERS WILL BE ALLOWED INCREASED DEDUCTIONS ACCORDING TO NUMBER OF DEPENDENTS AS FOLLOWS (A) DEDUCION FOR SINGLE TAXPAYER WILL INCREASE FROM 240 TO 300 POUNDS, (B) DEDUCTION FOR MARRIED TAXPAYER WITH NO DEPENDENTS

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WILL INCREASE FROM 300 TO 360 POUNDS AND (C) DEDUCTION FOR

MARRIED TAXPAYER WITH DEPENDENTS WILL INCREASE FROM 360 TO 420 POUNDS.

3. TAXES ON WAGES WILL BE LEVIED AS FOLLOWS, 2 PERCENT ON FIRST HUNDRED POUNDS OF TAXABLE INCOME, 3 PERCENT ON NEXT 150 POUNDS, 5 PERCENT ON NEXT 150 POUNDS, 7 PERCENT ON NEXT 200 POUNDS, 9 PERCENT ON NEXT 300 POUNDS, 11 PERCENT ON NEXT 100 POUNDS, 18 PERCENT ON NEXT 2,000 POUNDS AND 22 PERCENT ON ALL AMOUNTS OVER THIS LIMIT.

4. IN CONTROVERSIAL SECTION AS INCOME FROM REAL ESTATE, LAW APPARENTLY SAYS THAT TAX WILL BE EQUAL TO 1/2 OF THE TOTAL OF PERCENTAGE MENTIONED PARA TWO WHICH APPLY TO INDIVIDUAL INCOME E.G. FOR PERSONS WHOSE TAXABLE INCOME IS 250 POUNDS, TOTAL OF 5 PERCENT WOULD BE HALVED AND TAX ON INCOME FROM REAL ESTATE, SUPPOSED REPORTED SEPARATELY, WOULD BE 2 AND ONE-HALF PER CENT.

5. NEW LAW AS REPORTED WILL ABOLISH EXEMPTIONS FOR INCOME GAINED BY RAISING CATTLE, BEES, POULTRY AND ON INCOME FROM PRIVATE SCHOOLS, BECAUSE THESE EXEMPTIONS HAVE BEEN ABUSED.

6. TAXES FOR EGYPTIANS EARNING INCOME ABROAD AND FOR FOREIGNERS WORKING IN EGYPT ARE TO BE SET AT A FLAT RATE OF 20 PERCENT. PRESS REPORTS SAY UNSPECIFIED AMENDMENTS TO THIS PROPOSAL HAVE BEEN MADE AND WILL BE CONSIDERED BY THE CABINET.

7. COMMENT. IF INFORMATION ON TAX SCHEDULES IS ACCURATE, SCOPE OF TAX REFORM IS TRULY SWEEPING. TOP BRACKET REDUCTION FROM CONFISCATING LEVELS OF EARLIER LAWS (70 PERCENT AND ABOVE), WILL GIVE TREMENDOUS BOOST TO PRIVATE SECTOR AND, HOPEFULLY, MAKE POSSIBLE A MORE EFFECTIVE SYSTEM OF TAX COLLECTION. TAX EVASION FOR HIGHER BRACKET INDIVIDUALS HAD BECOME A WAY OF LIFE AND VIRTUALLY NO ONE WAS PAYING TAXES IN HIGHER BRACKETS. WHILE TAX REFORM MAY INCREASE TOTAL RECEIPTS, IT UNDOUBTEDLY WILL DRAW CRITICISM FROM LEFT.
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